

Department of Employee Trust Funds  
Wisconsin Retirement System  
P.O. Box 7931  
Madison, WI 53707-7931

## **Employer Options for Providing Increased Retirement Benefits**

Wisconsin statutes provide two methods that an employer can use to increase the retirement benefits normally provided for employees under the Wisconsin Retirement System (WRS):

- 1) Employer Additional Contributions
- 2) Employer Agreement to Pay Cost of Actuarial Reduction

Attached is a comparison of these two methods.

A few employers have not given their non-teaching employees full credit for service performed prior to the time the employer joined the WRS. These employers could elect to increase the amount of such prior service credit in addition to, or instead of, the methods described on the following pages.

If after reviewing this material you have further questions about benefits provided by these methods, you may call a benefits specialist in Madison at (608) 266-3285 or in Milwaukee at (414) 227-4294. You may also call toll-free 1-877-533-5020.

	<b>Employer Additional Contributions</b>	<b>Employer Agreement to Pay Cost of Actuarial Reduction</b>
<b>Eligible Employers</b>	Any employer	Any employer
<b>Eligible employees (of employers electing to provide the increased benefit)</b>	Any WRS participating employee: <ul style="list-style-type: none"> <li>• Eligibility ceases if employment status terminates for any reason.</li> <li>• Includes employees on leaves of absence.</li> <li>• If leave of absence continues beyond three years, employment is deemed terminated at the end of the third year of leave and eligibility ceases.</li> </ul>	Any WRS participating employee: <ul style="list-style-type: none"> <li>• Includes employees on leaves of absence.</li> </ul>
<b>Amount of Added Contributions</b>	Amount determined by employer, based on amount employer wishes to increase employee's benefits: <ul style="list-style-type: none"> <li>• No employee contributions required.</li> <li>• See attached "Contribution Benefit Table" (Chart A).</li> </ul> <u>Note:</u> Cannot exceed contribution limits. Employer additional contributions are subject to the maximum contribution limits set by the Internal Revenue Service.	Amount determined by employer: <ul style="list-style-type: none"> <li>• May elect to pay 100% or a lesser percentage of cost to offset any actuarial reduction applied to formula annuities of participants who retire before their normal retirement age.</li> </ul>
<b>When Must Contributions Be Made</b>	May be monthly with the WRS <i>Monthly Remittance Report</i> (ET-1515), but no later than the first monthly remittance of contributions to this Department following the employee's termination.	On the first monthly remittance of contributions to this Department following receipt of <i>Notice of Payment Due</i> (ET-4324). <ul style="list-style-type: none"> <li>• Payment must be received in a lump sum.</li> </ul>
<b>Pertinent Statutory References</b>	Wis. Stat. § 40.05 (2) (g), and 40.05 (2r)	Wis. Stat. § 40.23 (2m) (g)
<b>Split Between Fixed and Variable Accounts</b>	Deposited in fixed account unless the employee has already elected to have additional contributions deposited in variable account. Variable participation was closed to new members on April 30, 1980, and re-opened January 1, 2000.	Not applicable.
<b>Interest Credit on Contributions</b>	Receive same interest as other additional contributions.	Not applicable.
<b>Effect on Employee Benefits</b>	Credited to employee account and increase employee's monthly annuity at retirement.	Eliminates up to 100% of the actuarial age reduction applied to formula annuities of participants who retire before reaching normal retirement age. <i>Note:</i> If the final annuity amount is greater using the money purchase calculation, there is no actuarial reduction to purchase.
<b>Benefit Change</b>	Increases total benefit. <ul style="list-style-type: none"> <li>• Used to purchase an annuity in addition to the benefit from required contributions. See Chart A, "Contribution Benefit Table," to estimate the increase in an annuity.</li> </ul>	Increases formula retirement benefit. <ul style="list-style-type: none"> <li>• Benefit is increased as a result of eliminating part or all of the actuarial age reduction.</li> </ul>

	<b>Employer Additional Contributions</b>	<b>Employer Agreement to Pay Cost of Actuarial Reduction</b>
<b>Procedure for Initiating Employer Option</b>	<p>Must be formal compensation agreement with employee(s).</p> <p>Action that applies to state employees must be pursuant to Wis. Stat. § 230.12 or a collective bargaining agreement under subch. V or Ch. 111.</p> <p>Employer files <i>Additional Contributions Report</i> (ET-2535).</p> <p>See Chapter 11 of the <i>WRS Administration Manual</i> (ET-1127).</p>	<p>Employer should determine if an actuarial reduction would be applied to the individual employee's annuity. See attached Chart B.</p> <p>If employee is represented by a labor organization, this benefit must be provided pursuant to a collective bargaining agreement.</p> <p>The employer or employee must contact the Department to request an <i>Election to Pay Cost of Actuarial Reduction</i> form (ET-4311) for each employee for whom employer will provide increased benefits under this program. The Department calculates the employer's estimated cost to pay for 100% of the actuarial reduction and sends the information on the ET-4311. The employer agent must indicate either the dollar amount or the percentage of the actuarial reduction the employer will pay on the ET-4311, and sign and return the form.  <b>The Department must receive the signed ET-4311 no later than the employee's termination date.</b></p>
<b>Additional Information</b>	<p>Payable only as a life annuity; no lump sum or annuity certain is available. Generally paid in the same optional form as the regular annuity when application is made for the regular annuity on required deposits. This annuity amount is taxable when paid.</p> <p>Benefit purchased by additional contributions is not subject to the formula benefit maximum (70% of final average earnings, or 65% for protectives covered by Social Security, or 85% for protectives not covered by Social Security).</p>	<p>No cost to employer or benefit increase to:</p> <ul style="list-style-type: none"> <li>• non-protective category employees who are at least age 57 with 30 or more years of creditable service.</li> <li>• Protective category employees who are at least age 53 with 25 years of creditable service, or age 54 with less than 25 years of service.</li> </ul> <p>The increased amount is included in the taxable portion of the annuitant's benefit.</p>

## Chart A Contribution Benefit Table

This chart gives a general estimate of the amount of monthly annuity that can be purchased with \$1,000 in additional contributions at different retirement ages. The chart also shows how much in additional contributions would be needed to purchase a \$50 or \$100 a month additional benefit paid as a "For Annuitant's Life Only" annuity.

These benefit amounts assume the person retires at the age shown on the chart and are based on the assumption the additional contributions are paid just prior to retirement.

If Benefit Begins at Age:	Initial Monthly Straight Life Benefit Amount Provided by \$1,000**	Amount Needed to Fund Initial Monthly Straight Life Benefit of:**	
		\$50	\$100
50*	\$5.33	\$9,380.86	\$18,761.73
51*	5.40	9,259.26	18,518.52
52*	5.47	9,140.77	18,281.54
53*	5.55	9,009.01	18,018.02
54*	5.64	8,865.25	17,730.50
55	5.73	8,726.00	17,452.01
56	5.83	8,576.33	17,152.66
57	5.94	8,417.51	16,835.02
58	6.05	8,264.46	16,528.93
59	6.17	8,103.73	16,207.46
60	6.30	7,936.51	15,873.02
61	6.44	7,763.98	15,527.95
62	6.59	7,587.25	15,174.51
63	6.76	7,396.45	14,792.90
64	6.93	7,215.01	14,430.01
65	7.12	7,022.47	14,044.94
66	7.32	6,830.60	13,661.20
67	7.55	6,622.52	13,245.03
68	7.78	6,426.74	12,853.47
69	8.04	6,218.91	12,437.81
70	8.32	6,009.62	12,019.23

\* Only protective occupation employees are eligible to start receiving retirement benefits prior to age 55.

\*\* WRS benefits are designed to increase the amount after retirement to compensate, at least in part, for inflation. The amount of increase depends on the investment experience of the retirement funds (investment earnings in excess of 5% generate increases in annuities). Annuities purchased from life insurance companies normally begin at a higher rate than WRS annuities because they usually do not provide for any future increases to offset inflation.

To use the table on the previous page, you need to know the employee's age and either the amount of the monthly "Annuitant's Life Only" annuity which you wish to purchase or the amount of money you intend to deposit into the additional account.

For example, if you wish to purchase an annuity of \$135 a month for a 60-year old employee at retirement, your cost would be:

$$\frac{\$135}{\$6.30} \times \$1,000 = \$21,428.57$$

Alternatively, if you have \$25,000 with which you wish to purchase a "For Annuitant's Life Only" annuity for a 60-year old employee, the annuity purchased would be:

$$\frac{\$25,000}{\$1,000} \times \$6.30 = \$157.50$$

If this employee elects an annuity option other than a "For Annuitant's Life Only" annuity, the benefit amount would be reduced to provide for the cost of survivor benefits. The amount of reduction would vary depending on the option elected.

Chart B  
Actuarial Age Reduction Factors, Based on Age and Years of Service

Elected/Exec., General, Teachers Categories Years of Service	AGE 55	AGE 56	AGE 57	AGE 58	AGE 59	AGE 60	AGE 61	AGE 62	AGE 63	AGE 64	AGE 65
5	.584	.632	.680	.720	.760	.800	.840	.880	.920	.960	1.000
6	.597	.645	.693	.731	.770	.808	.846	.885	.923	.962	1.000
7	.610	.658	.706	.742	.779	.816	.853	.890	.926	.963	1.000
8	.622	.670	.718	.754	.789	.824	.859	.894	.930	.965	1.000
9	.635	.683	.731	.765	.798	.832	.866	.899	.933	.966	1.000
10	.648	.696	.744	.776	.808	.840	.872	.904	.936	.968	1.000
11	.661	.709	.757	.787	.818	.848	.878	.909	.939	.970	1.000
12	.674	.722	.770	.798	.827	.856	.885	.914	.942	.971	1.000
13	.686	.734	.782	.810	.837	.864	.891	.918	.946	.973	1.000
14	.699	.747	.795	.821	.846	.872	.898	.923	.949	.974	1.000
15	.712	.760	.808	.832	.856	.880	.904	.928	.952	.976	1.000
16	.725	.773	.821	.843	.866	.888	.910	.933	.955	.978	1.000
17	.738	.786	.834	.854	.875	.896	.917	.938	.958	.979	1.000
18	.750	.798	.846	.866	.885	.904	.923	.942	.962	.981	1.000
19	.763	.811	.859	.877	.894	.912	.930	.947	.965	.982	1.000
20	.776	.824	.872	.888	.904	.920	.936	.952	.968	.984	1.000
21	.789	.837	.885	.899	.914	.928	.942	.957	.971	.986	1.000
22	.802	.850	.898	.910	.923	.936	.949	.962	.974	.987	1.000
23	.814	.862	.910	.922	.933	.944	.955	.966	.978	.989	1.000
24	.827	.875	.923	.933	.942	.952	.962	.971	.981	.990	1.000
25	.840	.888	.936	.944	.952	.960	.968	.976	.984	.992	1.000
26	.853	.901	.949	.955	.962	.968	.974	.981	.987	.994	1.000
27	.866	.914	.962	.966	.971	.976	.981	.986	.990	.995	1.000
28	.878	.926	.974	.978	.981	.984	.987	.990	.994	.997	1.000
29	.891	.939	.987	.989	.990	.992	.994	.995	.997	.998	1.000
30 & Over	.904	.952	1.000	1.000	.904	1.000	.952	1.000	1.000	1.000	1.000

Protective Category Employees

Years of Service	AGE 50	AGE 51	AGE 52	AGE 53	AGE 54
Under 25	.808	.856	.904	.952	1.000
25 and Over	.856	.904	.952	1.000	1.000